



# AN EMPIRICAL STUDY ON INVESTOR PERCEPTION TOWARDS VARIOUS INVESTMENT AVENUES IN GUJARAT

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## ABSTRACT

Investments play a crucial role in economic growth and personal financial security. For individual investors, choosing the right investment avenue is essential for wealth creation, retirement planning, and achieving long-term financial goals. Understanding investor perception is of paramount importance as it provides insights into how investors assess risk, returns, and other investment characteristics like liquidity and tax benefits. In the context of Gujarat, a state with a diverse economy and growing financial markets, analysing investor behaviour helps to identify the most favoured investment options and the factors that influence these preferences. This study aims to evaluate the perceptions of investors in Gujarat towards different investment options and to explore the association between their demographic profiles and investment preferences. Investment avenues such as equities, mutual funds, real estate, fixed deposits, and government schemes are analysed to understand investors' priorities regarding risk, returns, liquidity, and tax benefits. A total of 150 investors were surveyed, and data was collected using structured questionnaires. The findings reveal that liquidity, tax benefits, and guaranteed returns are significant factors influencing investment decisions. Furthermore, a strong association between demographic variables—such as age, income, and occupation—and investors' preferences was observed. This study offers valuable insights for financial institutions and policymakers to better align their offerings with investor needs, thereby promoting more informed investment decisions.

**KEYWORDS:** Investor Perception, Investment Avenues, Liquidity, Tax Benefits, Guaranteed Returns, Gujarat, Financial Decision-Making

## 1. INTRODUCTION

Investment avenues refer to the various channels through which individuals can allocate their funds with the hope of generating returns over time. The choice of investment avenue often depends on an individual's financial goals, risk tolerance, time horizon, and market conditions. Investors generally choose from a variety of options, ranging from traditional assets like fixed deposits and gold to modern alternatives like mutual funds, equities etc.. Each investment avenue offers unique advantages and challenges, making it crucial for investors to carefully assess which avenue aligns best with their needs.

### 1. Fixed Deposits and Savings Accounts

Fixed deposits (FDs) are one of the most common and traditional investment avenues, especially popular among risk-averse investors. Offered by banks and financial institutions, FDs provide guaranteed returns with a fixed interest rate over a predetermined period. Investors appreciate the safety and predictability associated with FDs, as they are not subject to market fluctuations. Savings accounts, although offering lower interest rates, are also considered safe investment avenues for individuals who prioritize liquidity and capital preservation over returns. However, the drawback of both FDs and savings accounts is that their returns are generally lower compared to other investment options, making them less attractive for long-term wealth generation.

### 2. Equities and Stocks

Equities, or stocks, represent ownership in a company, providing investors the potential for high returns through capital appreciation and dividends. Stocks are considered one of the most lucrative investment avenues, particularly for those with a high-risk tolerance and a long-term investment horizon. The stock market offers significant growth opportunities, but it also comes with volatility. Investors must carefully analyse company performance, market trends, and economic factors to make informed stock purchases. While equities can generate substantial wealth, the risk of capital loss is also high, making them unsuitable for conservative investors.

### 3. Mutual Funds

Mutual funds pool money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other securities. Managed by professional fund managers, mutual funds provide investors with the benefit of diversification, reducing the risk associated with individual stocks or bonds. They are available in various forms, such as equity funds, debt funds, and hybrid funds, catering to different risk profiles and investment goals. For individuals who lack the expertise or time to directly invest in the stock market, mutual funds serve as a convenient and relatively safer investment avenue. However, like equities, mutual fund investments are subject to market risks, and their

returns fluctuate based on market performance.

#### 4. Real Estate

Real estate investment involves purchasing property, either for personal use or to generate rental income or capital appreciation. It is a popular investment avenue, especially in India, where property is viewed as a long-term asset with potential for steady growth. Real estate is often considered a safe and tangible investment, providing both rental income and the possibility of price appreciation. However, it requires significant capital investment and can involve high transaction costs. Additionally, real estate markets can be illiquid, making it difficult for investors to quickly sell property in case of a financial emergency.

#### 5. Gold and Precious Metals

Gold has traditionally been a favoured investment avenue in India due to its cultural significance and reputation as a safe-haven asset. Investors often turn to gold in times of economic uncertainty or inflation, as its value tends to remain stable. Apart from physical gold, investors can also explore options like gold exchange-traded funds (ETFs) and sovereign gold bonds, which offer exposure to the gold market without the need for physical storage. However, gold generally does not provide regular income and is more suited for wealth preservation than aggressive growth.

#### 6. Government Bonds and Corporate Bonds

Bonds represent loans made by investors to governments or corporations in exchange for periodic interest payments and the return of principal at maturity. Government bonds are considered low-risk investments, making them suitable for conservative investors. Corporate bonds, while offering higher interest rates than government bonds, come with higher risk depending on the financial stability of the issuing company. Bonds are typically chosen by investors looking for stable and regular income over a fixed period, though the returns are generally lower compared to equities and mutual funds.

#### 7. Public Provident Fund (PPF)

The Public Provident Fund (PPF) is a long-term, government-backed savings scheme in India, offering tax benefits under Section 80C of the Income Tax Act. PPF is popular among risk-averse investors due to its guaranteed returns and tax-free interest earnings. With a fixed lock-in period of 15 years, it is ideal for individuals looking for safe long-term investments with moderate returns. However, the lack of liquidity during the lock-in period can be a disadvantage for those who might need access to their funds in the short term.

Choosing the right investment avenue depends on an individual's financial objectives, risk appetite, and investment horizon. While traditional options like fixed deposits, bonds, and gold offer safety and stability, modern avenues such as equities, mutual funds, etc. provide opportunities for higher returns but with increased risk. A diversified portfolio, combining different investment avenues, can help investors balance risk and reward

effectively, allowing them to achieve their financial goals.

## 2. NEED OF THE STUDY

The need for a study on investor perception towards various investment avenues in Gujarat arises from the growing complexity and diversity of investment options available in today's financial markets. As the economic landscape evolves and new financial products emerge, understanding the preferences, attitudes, and behaviours of investors becomes crucial for both policymakers and financial institutions. Gujarat, being one of India's most economically vibrant states, with a high degree of entrepreneurial activity and a strong investment culture, provides an ideal context for exploring these dynamics. An empirical study on this topic will not only reveal how investors in Gujarat make decisions but also shed light on the factors that influence their investment choices.

In recent years, the investment landscape in India, including Gujarat, has witnessed significant shifts due to factors such as globalization, technological advancements, and financial innovations. Investors now have access to a wide array of investment avenues, ranging from traditional options like fixed deposits and real estate to newer alternatives such as mutual funds, equities, etc. The introduction of digital platforms has further democratized access to these markets. However, with so many options, investors face the challenge of choosing the right avenues based on their individual risk profiles, financial goals, and market knowledge. Therefore, a study on investor perception can provide valuable insights into how individuals navigate this complex environment and make informed choices.

Investor preferences and perceptions are often shaped by various demographic factors such as age, income, education, and occupation. For instance, younger investors may be more inclined towards high-risk, high-return investments like equities etc., while older investors might prefer safer options like fixed deposits or government bonds. Similarly, income levels and educational background influence an investor's ability to understand and manage risk. In Gujarat, with its diverse population and economic activities, these demographic variables play a significant role in shaping investment behaviour. By conducting a comprehensive empirical study, researchers can identify trends and correlations between demographic profiles and investment choices, helping financial planners and institutions offer more tailored advice and products.

Despite the growing availability of investment options, many investors lack adequate financial literacy, which affects their ability to make sound decisions. In Gujarat, where entrepreneurial activity is high, financial literacy varies widely, particularly between urban and rural areas. Understanding how investors perceive different investment avenues, and their level of awareness regarding risks, returns, and liquidity, is essential to improving financial education programs. A study focusing on investor perception can help identify gaps in knowledge and areas where awareness needs to be raised. This, in turn, can empower investors to make more informed decisions, thereby contributing to greater financial inclusion and stability in the region.

Investor behaviour is often driven by perceptions of risk, especially in an environment of market volatility and economic uncertainty. Events such as the COVID-19 pandemic, geopolitical tensions, and fluctuations in commodity prices have heightened the importance of understanding how investors perceive risk. In Gujarat, where industries like diamond, textiles, and oil play a key role in the economy, market volatility can significantly impact investment decisions. By examining how investors in Gujarat respond to market fluctuations and perceive the risks associated with different investment avenues, this study can provide critical insights for financial institutions aiming to develop products that align with investor risk tolerance and preferences.

The findings from an empirical study on investor perceptions can have broader implications for policymakers, financial institutions, and advisors. Understanding how investors in Gujarat perceive different investment avenues can help shape policies that encourage responsible investing and promote financial stability. For example, if the study reveals a lack of awareness about high-risk investments like cryptocurrencies, regulators may consider implementing stricter guidelines or launching educational campaigns. Additionally, financial institutions can use these insights to design products that cater to the specific needs and preferences of investors in Gujarat, ultimately fostering a more inclusive and dynamic investment ecosystem.

A study on investor perception towards various investment avenues in Gujarat is essential given the state's diverse economic landscape and evolving financial markets. The study will provide valuable insights into how investors make decisions, what factors influence their choices, and how demographic variables impact investment behaviour. By understanding these dynamics, stakeholders can enhance financial literacy, develop better investment products, and implement policies that align with investor needs, contributing to the overall financial growth and stability of the region.

### 3. LITERATURE REVIEW

Kumar (2016) explored the factors influencing investor preferences towards different investment avenues in India. The study found that risk appetite is a primary determinant of investment choice. Investors with a higher risk tolerance preferred equities and mutual funds, while those with a lower risk tolerance favoured fixed deposits and government bonds. The study also highlighted the role of financial literacy in shaping investment decisions, noting that well-informed investors are more likely to diversify their portfolios across various asset classes.

Rao (2017) examined the impact of demographic factors on investment preferences. The findings indicated that age, income, and education level significantly influence investment choices. Younger investors, particularly those aged 25-35, showed a preference for high-risk, high-return investments like equities and real estate. In contrast, older investors and those with lower incomes preferred safer options such as fixed deposits and savings accounts. The study also noted that higher

education levels correlate with a greater likelihood of investing in diverse asset classes.

Singh and Joshi (2018) investigated the influence of market conditions on investor perception. The study revealed that market volatility plays a crucial role in shaping investor sentiment. During periods of high volatility, there was a noticeable shift towards safer investment avenues such as gold and fixed deposits. Conversely, in stable market conditions, investors were more inclined towards equities and mutual funds. The study emphasized the need for continuous market monitoring to make informed investment decisions.

Patel and Sharma (2019) analysed the role of psychological factors in investment decisions. Their research identified overconfidence, herd behaviour, and loss aversion as key psychological biases affecting investor perception. Overconfident investors tended to take on higher risks, often resulting in suboptimal investment performance. Herd behaviour was observed, with many investors following trends rather than making independent decisions. Loss aversion led to a preference for low-risk investments, even if they offered lower returns. The study suggested that awareness of these biases could help investors make more rational decisions.

Verma (2020) focused on the impact of technological advancements on investor behaviour. The study found that the proliferation of online trading platforms and mobile apps has made investing more accessible and convenient. This technological shift has particularly benefited younger investors, who are more comfortable using digital tools. The study also noted that technology has facilitated better access to real-time market information and analytical tools, enabling investors to make more informed decisions.

Nair and Bhat (2021) examined the influence of social media on investor perception. The research highlighted that social media platforms play a significant role in shaping investor opinions and trends. Positive reviews and recommendations from influencers and peers on social media were found to boost investor confidence in specific investment avenues. However, the study also cautioned against the potential for misinformation and herd behaviour driven by social media trends.

Desai and Mehta (2022) investigated the impact of macroeconomic factors on investor perception towards various investment avenues. Their findings indicated that inflation rates, interest rates, and economic growth significantly influence investment choices. During periods of high inflation, investors tended to move towards real assets like real estate and gold, which are perceived as inflation hedges. Conversely, lower interest rates were associated with increased investment in equities and bonds. The study suggested that understanding macroeconomic trends is crucial for making informed investment decisions.

Roy and Gupta (2023) explored the post-pandemic shift in investor perception towards investment avenues. The study found that the COVID-19 pandemic led to a heightened

awareness of financial security, resulting in a greater emphasis on emergency funds and insurance products. There was also an increased interest in sustainable and socially responsible investments, reflecting a shift in investor priorities towards long-term value and ethical considerations. The study noted that this trend is likely to persist, influencing future investment behaviours.

#### 4. RESEARCH OBJECTIVES

1. To evaluate the perception of the investors towards various investment avenues.
2. To find out association between demographic profiles of the investors of Gujarat and their perception towards various investment avenues.

#### 5. SAMPLE SIZE

In this study 150 investors of Gujarat have been targeted.

#### 6. DATA ANALYSIS

1. H0: Investors do not believe that liquidity is an important factor for me when choosing an investment avenue.

##### One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Liquidity is an important factor for me when choosing an investment avenue	44.183	149	0.029	1.007	0.417	0.511

As per the above table it is seen that significance value is 0.029 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Investors believe that the liquidity is an important factor for me when choosing an investment avenue

2. H0: Investors do not believe that they consider tax benefits when selecting investment options

##### One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
consider tax benefits when selecting investment option	47.63	149	0.044	5.234	0.464	0.958

As per the above table it is seen that significance value is 0.044 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Investors believe that they consider tax benefits when selecting investment options.

3. H0: Investors do not believe that they prefer investment avenues that offer guaranteed returns

##### One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
prefer investment avenues that offer guaranteed returns	50.627	149	0.019	1.007	0.911	1.405

As per the above table it is seen that significance value is 0.019 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that Investors believe that they prefer investment avenues that offer guaranteed returns

4. H0: There is no significant association between demographic profiles of the investors of Gujarat and their perception towards various investment avenues.

FACTOR 1	FACTOR 2	Pearson Chi-Square	P Value
Age	Liquidity is an important factor for me when choosing an investment avenue.	91.27	0.017
	I consider tax benefits when selecting my investment options.	25.17	0.026
	I prefer investment avenues that offer guaranteed returns.	20.33	0.006
Gender	Liquidity is an important factor for me when choosing an investment avenue.	30.66	0.033
	I consider tax benefits when selecting my investment options.	35.05	0.007
	I prefer investment avenues that offer guaranteed returns.	8.46	0.049
Education	Liquidity is an important factor for me when choosing an investment avenue.	36.92	0.037
	I consider tax benefits when selecting my investment options.	72.41	0.038
	I prefer investment avenues that offer guaranteed returns.	29.66	0.040



Occupation	Liquidity is an important factor for me when choosing an investment avenue.	8.06	0.019
	I consider tax benefits when selecting my investment options.	17.15	0.008
	I prefer investment avenues that offer guaranteed returns.	79.10	0.049

## 7. CONCLUSION

The findings from the study reveal several important insights into the investment behavior and preferences of investors in Gujarat. Liquidity, tax benefits, and guaranteed returns emerge as significant factors influencing investment decisions. Furthermore, the study highlights the association between investors' demographic profiles and their perception of various investment avenues, emphasizing the complexity and diversity of investment preferences across different demographic segments.

Liquidity is a key factor that significantly influences how investors in Gujarat choose their investment avenues. The ability to easily convert investments into cash without affecting their market value is a priority for many investors. This preference for liquidity suggests that investors are cautious about locking their funds into long-term or illiquid assets, such as real estate or fixed deposits with long maturity periods, despite the potential for higher returns. The importance placed on liquidity could be linked to the need for financial flexibility and the ability to access funds in times of uncertainty or unexpected financial demands. This trend also indicates that investors may prefer avenues such as mutual funds, government bonds, or savings accounts, which offer a balance between reasonable returns and ease of access to capital.

Tax planning is an integral part of investment decisions for many investors in Gujarat. The study shows that investors actively consider tax benefits when selecting their investment options, indicating a strong awareness of how tax-efficient investments can enhance overall returns. This focus on tax advantages drives interest in avenues such as Public Provident Fund (PPF), Equity-Linked Savings Schemes (ELSS), National Pension Scheme (NPS), and insurance products, which provide tax deductions under relevant sections of the Income Tax Act. By prioritizing tax-saving investments, investors are able to optimize their portfolios, reduce tax liabilities, and improve their net returns. This finding suggests a well-informed investor base that seeks to balance risk and return while also maximizing tax efficiency.

The preference for investment avenues that offer guaranteed returns further underscores the risk-averse nature of many investors in Gujarat. Investment products such as fixed deposits, traditional life insurance plans, and government-backed schemes are favored by those who prioritize security and predictability over potentially higher, but more volatile, returns from equities or other high-risk investments. This inclination towards guaranteed returns reflects the mindset of investors who

are risk-sensitive and place a premium on financial safety and assured outcomes. It is likely that factors such as age, income level, and financial goals play a role in shaping this preference, with older and more conservative investors showing a stronger tendency toward guaranteed-return products.

One of the most significant findings of the study is the clear association between the demographic profiles of investors and their perceptions of various investment avenues. Age, income, education, and occupation were found to be key factors that influence how investors perceive risk, liquidity, returns, and other characteristics of investment products. For example, younger investors with higher incomes and educational backgrounds may be more inclined to invest in equities, mutual funds, or digital assets like cryptocurrencies, given their higher risk tolerance and long-term growth objectives. Conversely, older investors or those with lower income levels may lean towards safer, more predictable investments like fixed deposits, bonds, or government schemes.

This demographic influence suggests that investment preferences are not uniform across the population, and financial advisors, institutions, and policymakers need to adopt a segmented approach when offering financial products or crafting investment strategies. Understanding the specific needs and risk profiles of different investor groups can help create more customized solutions that align with their financial goals and life stages.

In conclusion, the study highlights the fact that investors in Gujarat place a high priority on liquidity, tax benefits, and guaranteed returns when selecting investment avenues. These factors play a crucial role in shaping their investment decisions, reflecting a strong preference for financial security, flexibility, and tax efficiency. Additionally, the significant association between demographic profiles and investment perceptions underscores the diversity of the investor base in Gujarat. The findings point to the need for tailored financial products and advisory services that cater to the varied preferences of different demographic segments, enabling investors to make informed decisions that align with their unique risk appetites, financial goals, and life circumstances.

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